

Message Text

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PAGE 01 LONDON 07439 01 OF 02 131649Z

44

ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 IO-14 NSC-07 AGR-20

STR-08 TRSE-00 SP-03 L-03 COME-00 CIAE-00 INR-10

NSAE-00 RSC-01 TAR-02 SS-20 DRC-01 /153 W

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R 131635Z JUN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1236

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: INTERNATIONAL MEAT TRADE PROBLEMS

REF: STATE 110296 & LONDON 7047

AGATTACHE, ACCOMPANIED BY GOODMAN, FAS/W, MET WITH
MR. KEITH DEXTER, UNDER SECRETARY, MINISTRY OF
AGRICULTURE, FISHERIES & FOOD, TO DISCUSS CURRENT MEAT
PROBLEMS.

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PAGE 02 LONDON 07439 01 OF 02 131649Z

SUMMARY: UK MAFF COGNIZANT OF EMERGING PROBLEM AND, WITHIN EC STRUCTURE, HAS BEEN PUSHING HARD FOR A MORE REALISTIC APPROACH TO BEEF MARKET BUT WITHOUT SIGNIFICANT SUCCESS. TRADE IS AFFECTED BY JUMELAGE ARRANGEMENTS. FEW SHORT-TERM CHANGES IN BEEF CAP EXPECTED BUT SUBJECT EXPECTED TO BE BROUGHT UP UNDER UMBRELLA OF RE-NEGOTIATION EFFORT. UK DISAPPOINTED BY INDIFFERENCE SHOWN BY SOME SUPPLIER COUNTRIES TO THE EMERGING PROBLEM. FULL EXCHANGES OF INFORMATION ON BOTH BI-LATERAL AND MULTI-LATERAL BASIS WOULD BE WELCOME AND PROVIDE BASIS FOR BETTER LONG-TERM PLANNING. END SUMMARY.

1. THE UK IS FULLY AWARE OF THE PROBLEM WHICH IS EMERGING IN THE WORLD BEEF MARKET AND RECOGNIZES THAT IMPOSITION OF IMPORT EMBARGOES TENDS TO BE DE-STABILIZING. THEY AGREE THAT IMMEDIATE ROOT CAUSE OF EC PROBLEM IS THE LARGE INCREASE IN ORIENTATION PRICE IN THE LAST FEW YEARS AND, IN PARTICULAR, THE 12 PERCENT INCREASE AGREED APRIL 1.

2. THE CURRENT UK SITUATION IS SIMILAR TO THAT EXISTING IN SOME OTHER BEEF PRODUCING COUNTRIES, NAMELY SLOWED INCOME-RELATED DEMAND FOR BEEF, INCREASED SUPPLIES OF COMPETING MEATS, AND MANY LIVESTOCK FARMERS CAUGHT IN A COST PRICE SQUEEZE DUE TO (A) THE HIGH PRICE PAID FOR CALF INPUTS 6-12 MONTHS AGO AND (B) THE JUMP IN WORLD FEED GRAIN PRICES. FORECASTS OF UK BEEF PRODUCTION FOR 1973 BY THE MEAT & LIVESTOCK COMMISSION SHOW AN INCREASE OF 18.9 PERCENT FOR 1974 OVER 1973 WITH PART OF THE INCREASE DUE TO HEAVIER CULLING RATES. THERE IS STRONG DOMESTIC PRESSURE FROM FARMERS FOR THE GOVERNMENT TO TAKE ACTION, ESPECIALLY AS THEY ARE NO LONGER PROTECTED AGAINST DOWN TURNS IN THE MARKET PRICE OF CATTLE. THIS PRESSURE IS EXPECTED TO CONTINUE AT LEAST THROUGH 1974. THE HIGH CALF PURCHASE PRICES WILL HAVE THEN WORKED THROUGH THE SYSTEM AND HOPEFULLY A MORE NORMAL DEMAND/SUPPLY BALANCE WILL EMERGE. ON IMPORT TRADE, THE SITUATION IS CONFUSED, AND NO TRADE FIGURES SINCE DECEMBER 1973 ARE AVAILABLE DUE TO A COMPUTER BREAKDOWN. THE JUMELAGE ARRANGEMENTS ARE LIMITED OFFICIAL USE

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PAGE 03 LONDON 07439 01 OF 02 131649Z

BEGINNING TO BE RELUCTANTLY ACCEPTED BY THE TRADE, WITH LARGE MULTI-NATIONAL MEAT TRADING FIRMS EXPECTED TO MAKE THE MOST OF USING LICENCES OBTAINED FOR INTERVENTION STOCK PURCHASES ON THE CONTINENT TO BRING IN FROZEN BEEF TO THE BEST RETURNING MARKET WITHIN THE EC. BOTH THE TRADE AND THE GOVERNMENT EXPECT THESE ARRANGEMENTS TO CONTINUE FOR SOME CONSIDERABLE TIME, ALTHOUGH THERE IS A CURRENT TENDENCY TO PUT OFF PURCHASING ON THE

EXPECTATION THAT MORE CONCESSIONS IN THE MECHANISM OF
JUMELAGE WILL BE FORTHCOMING. THERE IS GENERAL AGREEMENT
THAT FROZEN IMPORTS WILL BE SERIOUSLY AFFECTED. WE
UNDERSTAND THAT LESS THAN 2,000 TONS HAVE BEEN PURCHASED
THROUGHOUT THE EC UNDER THIS ARRANGEMENT.

APPARENTLY, SOME PARTNER COUNTRIES VIEW JUMELAGE AS AN
IMPORT EMBARGO WHICH WILL PROTECT THE EC MARKET AND RAISE
PRICES. TO THESE COUNTRIES, JUMELAGE IS SUCCESSFUL IF
NO LINKED SALES ARE MADE. THE UK HOPES IT WILL OPERATE
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PAGE 01 LONDON 07439 02 OF 02 131732Z

44

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INFO OCT-01 ARA-16 EUR-25 EA-11 ISO-00 NSC-07 AGR-20 STR-08

TRSE-00 SP-03 L-03 COME-00 CIAE-00 INR-10 NSAE-00

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INFO USMISSION EC BRUSSELS

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AMEMBASSY BONN

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 07439

SO AS TO KEEP THE DOOR OPEN TO IMPORTED BEEF AND SUCCESS OF THE ARRANGEMENT WOULD BE A LARGE QUANTITY OF LINKED SALES. THE "SUCCESS" OF THE SCHEME SHOULD BE APPARENT IN THE NEXT 4-8 WEEKS. WE UNDERSTAND THAT A CONSIDERABLE QUANTITY OF FOREQUARTER BEEF, PARTICULARLY FROM WEST GERMANY, IS COMING INTO THIS MARKET AT VERY LOW PRICES AND THIS TRADE WILL BE LIKELY TO CONTINUE FOR SOME TIME UNDER THE SUBSIDY OF BOTH MONETARY AND COMPENSATORY AMOUNTS. TOTAL IMPORTS OF BEEF IN THE FIRST QUARTER ARE BELIEVED TO BE SUBSTANTIALLY DOWN ON FIRST QUARTER 1973 WITH DROPS IN AUSTRALIAN AND ARGENTINE TONNAGE BEING ONLY PARTLY OFFSET BY INCREASED SHIPMENTS FROM THE LIMITED OFFICIAL USE

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PAGE 02 LONDON 07439 02 OF 02 131732Z

CONTINENT AND IRELAND.

3. WHILE SEVERAL PARTNER COUNTRIES DO NOT EVEN CONCEDE THAT THERE IS A PROBLEM IN THE CURRENT BEEF CAP REGIME, IT IS VERY LIKELY THAT PROPOSALS FOR MAJOR CHANGES WITH THIS PARTICULAR CAP WILL BE FORMALLY PUT FORWARD BY THE UK GOVERNMENT AS PART OF ITS ANNOUNCED RE-NEGOTIATION PROCESS. IN EFFECT, THE UK WILL PROPOSE A RETURN IN ALL BUT NAME TO THE DEFICIENCY PAYMENT SCHEME WHERE SLAUGHTER PREMIUMS ARE RELATED TO A REASONABLE MARKET PRICE. HOWEVER, RE-NEGOTIATION OPTIONS ARE STILL APPARENTLY UNDER CONSIDERABLE DISCUSSION AND NO FINAL DECISIONS HAVE BEEN MADE.

4. GIVEN THE LIMITATIONS IMPOSED BY THE CAP, THE UK HAS PROPOSED SEVERAL SHORT-TERM CHANGES WHICH IT CONSIDERS ABSOLUTELY ESSENTIAL TO IMPROVING THE CURRENT SITUATION. IT HAS POINTED OUT TO THE COMMISSION THAT, AS OWNER OF NEARLY 100,000 TONS OF MEAT, IT IS NOW A MAJOR MEAT TRADER AND COMMERCIAL PRACTICES SHOULD BE IMPLEMENTED AS QUICKLY AS POSSIBLE, INCLUDING (A) BONING-OUT OF ALL BEEF AND PACKING IN BOXES SO THAT IT CAN BE SOLD INTO THE MARKET AT A LATER DATE IN A FORM WHICH WILL NOT HAVE TO BE SO HIGHLY DISCOUNTED AS AT PRESENT, AND (B) BRINGING IN COMMERCIAL EXPERTISE TO ADVISE BEFORE DECISIONS ARE MADE. IT IS EXPECTED THAT SOME SOCIAL SALES MEASURES (SCHOOLS, THE ARMY, ETC.) WILL ALSO BE APPROVED SHORTLY.

5. IN THE LONGER TERM, WHAT IS REQUIRED IS A MORE RATIONAL APPROACH TO THE INTERNAL BEEF MARKET AND A GREATER AWARENESS OF THE INTERDEPENDENCE OF WOLD BEEF MARKETS. THE UK WOULD WELCOME MORE BI-LATERAL AND MULTI-LATERAL EXCHANGES OF INFORMATION AND IDEAS, BUT DID STRESS THAT IT MUST NOW OPERATE WITHIN THE COMMON MARKET STRUCTURE.

6. A KEY AND, PERHAPS, MOST SIGNIFICANT POINT TO EMERGE FROM THE DISCUSSIONS WAS THE EXPRESSION OF DISAPPOINTMENT BY THE UK BECAUSE OF THE INDIFFERENCE SHOWN BY SOME MAJOR SUPPLIERS SUCH AS AUSTRALIA AND ARGENTIAN. LIMITED OFFICIAL USE

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PAGE 03 LONDON 07439 02 OF 02 131732Z

AS IN OTHER DISCUSSIONS IN LONDON, IT HAS CLEARLY EMERGED THAT THE AUSTRALIANS IN PARTICULAR ARE LIVING IN A DREAM WORLD AND ARE OUT OF TOUCH WITH THE CURRENT SITUATION AND HAVE GIVEN LITTLE THOUGHT TO THE FUTURE OF THIS COMMODITY. THE ARGENTINIANS HAVE MADE NO APPROACHES TO THE UK. NEW ZEALAND IS BETTER INFORMED AND HAS MADE REPRESENTATIONS. MAFF AND OURSELVES AGREED THAT ANY PRESSURE BROUGHT TO BEAR IN BRUSSELS BY THOSE INVOLVED IN SUPPLYING THE EC WITH BEEF COULD BE AN IMPORTANT STEP IN BRINGING ABOUT CHANGE.

7. BESIDES EXPRESSING OUR SERIOUS CONCERN OVER THE CURRENT SITUATION, WE STRESSED IN PARTICULAR THAT THE US WOULD FIND ANY MOVE TOWARD RESTITUTION PAYMENTS AND DUMPING OF BEEF INTO ANY THIRD COUNTRY MARKET UNACCEPTABLE TO THE US AND THE UK IS NOW CLEARLY AWARE OF OUR VIEWS ON THIS MATTER.

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